

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

FEDERAL COMPLIANCE AUDIT REPORT

OF

NETTLE CREEK SCHOOL CORPORATION

WAYNE COUNTY, INDIANA

July 1, 2017 to June 30, 2019



**FILED**  
03/18/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Judy Cole Andrew R. Cooper	07-01-17 to 06-30-19 07-01-19 to 06-30-20
Superintendent of Schools	Dr. William Doering Dr. John Williams (interim) Dr. Kyle G. Barrentine	07-01-17 to 06-30-19 07-01-19 to 01-05-20 01-06-20 to 01-05-23
President of the School Board	Cary L. Rhoades Daniel J. Davis	07-01-17 to 12-31-19 01-01-20 to 12-31-20



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE NETTLE CREEK SCHOOL CORPORATION, WAYNE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Nettle Creek School Corporation (School Corporation), for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated February 27, 2020, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

***Compliance and Other Matters***


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002.

***Nettle Creek School Corporation's Response to Findings***

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

February 27, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF THE NETTLE CREEK SCHOOL CORPORATION, WAYNE COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

We have audited the Nettle Creek School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2017 to June 30, 2019. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

***Basis for Qualified Opinion on the Child Nutrition Cluster***

As described in item 2019-003, in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with its Child Nutrition Cluster regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

As described in items 2019-006, 2019-007 and 2019-008, in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Procurement and Suspension and Debarment, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity, that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

***Qualified Opinion on the Child Nutrition Cluster***

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of its Child Nutrition Cluster regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income, and except for the noncompliance described in the *Basis for Qualified Opinion on the Child Nutrition Cluster* paragraphs, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its Child Nutrition Cluster for the period of July 1, 2017 to June 30, 2019.

***Unmodified Opinion on the Other Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2017 to June 30, 2019.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-009. Our opinion on the major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.


Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2019-003, 2019-004, 2019-005, 2019-006, 2019-007, 2019-008, and 2019-009, that we consider to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement. We issued our report thereon dated February 27, 2020, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.

  
Paul D. Joyce, CPA  
State Examiner

February 27, 2020

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.



NETTLE CREEK SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Special Education Preschool Grants	Indiana Department of Education	84.173					
Federal Preschool 619 Grant			45717-042-PN01	-	5,260	-	-
Federal Preschool 619 Grant			18619-042-PN01	-	9,396	-	4,394
Federal Preschool 619 Grant			19619-042-PN01	-	-	-	10,128
Total - Special Education Preschool Grants				-	14,656	-	14,522
Total - Special Education Cluster (IDEA)				-	322,640	-	322,979
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
16-17 Title I Grant			17-8305	-	114,289	-	-
17-18 Title I Grant			18-8305	-	67,933	-	123,959
18-19 Title I Grant			19-8305	-	-	-	112,133
Total - Title I Grants to Local Educational Agencies				-	182,222	-	236,092
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
15-16 Title II Part A Grant			S367A150013	-	17,657	-	-
15-16 Title II Part A Grant			S367A160013	-	7,981	-	29,537
Total - Supporting Effective Instruction State Grants				-	25,638	-	29,537
Student Support and Academic Enrichment Program	Indiana Department of Education						
Title IV Part A Grant		84.424	S424A170015	-	7,824	-	7,824
Total - Department of Education				-	538,324	-	596,432
Total federal awards expended				\$ -	\$ 809,776	\$ -	\$ 923,130

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

NETTLE CREEK SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2018 and 2019. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

**B. Other Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 2. Indirect Cost Rate**

The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3. Special Education Cooperative**

The School Corporation is a member of the New Castle Area Special Services Cooperative (Cooperative), which operates the special education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

NETTLE CREEK SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Qualified
Special Education Cluster	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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**Section II - Financial Statement Findings**

**FINDING 2019-001**

Subject: Financial Transactions and Reporting  
Audit Findings: Material Weakness, Noncompliance

*Condition and Context*

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to the preparation, approval, and submission of the Form 9 to the Indiana Department of Education. Control activities should be in place to reduce the risks of errors in financial reporting.

NETTLE CREEK SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2. Monitoring of Controls: The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting requires the School Corporation to monitor and assess the quality of the system of internal control.

Due to the lack of controls the financial statements presented for audit contained the following errors:

1. The School Lunch fund receipts and disbursements were overstated by \$138,539 for the year ended June 30, 2018.
2. The Curricular Materials Rental fund receipts and disbursements were overstated by \$33,996 for the year ended June 30, 2018.
3. The School Lunch fund receipts were understated by \$195,737, and disbursements were understated by \$220,619 for the year ended June 30, 2019.
4. The Curricular Materials Rental fund receipts were understated by \$268,062, and disbursements were understated by \$4,123 for the year ended June 30, 2019.
5. The General fund receipts and other financing uses were understated by \$1,280,419 for the year ended June 30, 2019.
6. The Capital Projects fund receipts and other financing uses were understated by \$217,955 for the year ended June 30, 2019.
7. The School Transportation fund receipts and other financing uses were understated by \$360,589 for the year ended June 30, 2019.
8. The School Bus Replacement fund receipts and other financing uses were understated by \$159,101 for the year ended June 30, 2019.
9. The Operations fund receipts were overstated and other financing sources were understated by \$737,636 for the year ended June 30, 2019.
10. The Education fund receipts were overstated and other financing uses were understated by \$1,280.419 for the year ended June 30, 2019.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

NETTLE CREEK SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

*Cause*

Management of the School Corporation had not established a proper system of internal control.

*Effect*

The failure to establish an effective system of internal control enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan which is part of this report.

NETTLE CREEK SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**FINDING 2019-002**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Finding: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-001.

*Condition and Context*

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards.

The SEFA contained the following errors:

1. The Child Nutrition Cluster expenditures were understated due to the omission of commodities in the amount of \$43,556 and \$54,078, for fiscal years 2017-2018 and 2018-2019, respectively.
2. The Title I Grants to Local Educational Agencies expenditures were understated in the amount of \$123,959.
3. The Special Education Cluster (IDEA) expenditures were understated in the amount of \$90,383.
4. The Supporting Effective Instruction State Grants expenditures were understated in the amount of \$29,537.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

NETTLE CREEK SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section 200.510 Financial statements."

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

NETTLE CREEK SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition and Context*.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan which is part of this report.

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2019-003**

Subject: Child Nutrition Cluster- Activities Allowed or Unallowed,  
Allowable Costs/Cost Principles, and Program Income

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017/2018, FY 2018/2019

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable  
Costs/Cost Principles, Program Income

Audit Findings: Material Weakness, Modified Opinion

*Condition and Context*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income.

The School Corporation entered into a cost-reimbursement contract with a food service management company. Five monthly invoices for payment to the food service management company, totaling \$280,351, were selected for testing. Supporting documentation was presented for \$155,866 of the costs invoiced. Due to the lack of documentation, we were unable to determine if the remaining costs paid, \$124,485, were allowable expenditures for the federal program. We considered the \$124,485 to be questioned costs.

The lack of controls and noncompliance were systemic issues occurring throughout the audit period.

NETTLE CREEK SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 210.21(f)(vi) states: "The contractor must maintain documentation of costs and discounts, rebates and other applicable credits, and must furnish such documentation upon request to the school food authority, the State agency, or the Department."

*Cause*

Management had not developed a system of internal control to ensure compliance with the compliance requirements listed above.

*Effect*

The failure to retain appropriate documentation prevented the determination of the School Corporation's compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income compliance requirements.

*Questioned Costs*

Known questioned costs of \$124,485 were identified in the *Condition and Context*.

*Recommendation*

We recommended that the School Corporation's management establish internal controls to ensure compliance with the compliance requirements listed above. Additionally, we recommended that management of the School Corporation establish controls to ensure supporting documentation will be maintained and available for audit.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

NETTLE CREEK SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2019-004***

Subject: Child Nutrition Cluster - Cash Management  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017/2018, FY 2018/2019  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Finding: Material Weakness

*Condition and Context*

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

The School Corporation failed to implement controls to ensure the School Lunch fund's monthly cash balances (net cash resources) did not exceed 3 months average expenditures for its nonprofit school food service program.

The lack of controls was a systemic issue, which occurred throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

Management had not developed a system of internal control to ensure compliance with the Cash Management compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could also allow noncompliance with the compliance requirement and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

NETTLE CREEK SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to the grant agreement and compliance requirement listed above.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2019-005**

Subject: Child Nutrition Cluster - Eligibility  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017/2018, FY 2018/2019  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Eligibility  
Audit Finding: Material Weakness

*Condition and Context*

The School Corporation had not established an effective internal control system related to the grant agreement and the Eligibility compliance requirement. The School Corporation did not have a control procedure in place to ensure the accuracy of the eligibility determinations.

The lack of controls existed throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

The School Corporation had not developed a system of internal control to ensure compliance with the grant agreement and the Eligibility compliance requirement.

NETTLE CREEK SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could also allow noncompliance with the compliance requirement and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to the grant agreement and compliance requirement listed above.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2019-006**

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017/2018, FY 2018/2019  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-003.

*Condition and Context*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation had not established an effective internal control system that would have ensured that the purchases made from the Child Nutrition Cluster were in compliance with applicable procurement methods. The School Corporation made purchases from three vendors that did not have adequate documentation that bids, quotes, or proposals were solicited.

The School Corporation had not established an effective internal control system to ensure that the vendors were not suspended or debarred.

NETTLE CREEK SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.320 states in part:

"The non-Federal entity must use one of the following methods of procurement . . .

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources . . .

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . .

(d) Procurement by competitive proposals. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. . . .

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes non-competitive proposals in response to a written request from the non-Federal entity;  
or
- (4) After solicitation of a number of sources, competition is determined inadequate."

NETTLE CREEK SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management had not developed a system of internal control to ensure compliance with the compliance requirement.

*Effect*

The failure to establish an effective internal control system over procurement allowed noncompliance to occur. The failure to establish an effective internal control system over suspension and debarment requirements placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, to ensure compliance with the grant agreement and compliance requirement listed above.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2019-007**

Subject: Child Nutrition Cluster - Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY2017/2018, FY 2018/2019

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-005.

*Condition and Context*

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirement: Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).

NETTLE CREEK SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Verification summary reports were prepared. Applications were selected for verification by the School Corporation that should have been excluded from the population based on the sample method reported to be used.

The lack of internal controls and noncompliance were isolated to the fiscal year ended June 30, 2018.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 245.6a states in part:

". . . (c) *Verification requirement* -

(1) *General*. The local educational agency must verify eligibility of children in a sample of household applications approved for free and reduced price meal benefits for that school year. . . .

(3) *Standard sample size*. Unless eligible for an alternative sample size under paragraph

(d) of this section, the sample size for each local educational agency shall equal the lesser of:

(i) Three (3) percent of all applications approved by the local educational agency for the school year, as of October 1 of the school year, selected from error prone applications; or

(ii) 3,000 error prone applications approved by the local educational agency for the school year, as of October 1 of the school year."

*Cause*

Management had not developed a system of internal control to ensure compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of funds to the School Corporation.

NETTLE CREEK SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, to ensure compliance with the grant agreement and the compliance requirement listed above.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2019-008**

Subject: Child Nutrition Cluster - Special Tests and Provisions - Paid Lunch Equity  
Federal Agency: Department of Agriculture  
Federal Program: National School Lunch Program  
CFDA Number: 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017/2018, FY 2018/2019  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-004.

*Condition and Context*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

The paid lunch equity calculations were prepared by the Director of Nutrition Services without a system of oversight, review, or approval before submitting the calculation to the Indiana Department of Education.

The paid lunch equity calculation was completed in fiscal year 2017-2018 for the School Corporation, but was not retained for audit. The paid lunch equity used in 2018-2019 weighted average calculation was based on September 2017 meal counts instead of the October 2017 meal counts.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

NETTLE CREEK SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient . . ."

7 CFR 210.14(e) states in part:

"Pricing paid lunches. For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) Calculation procedures. Each school food authority shall:

(i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority. . . ."

*Cause*

Management had not developed a system of internal control to ensure compliance with the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, to ensure compliance with the grant agreement and the compliance requirement listed above.

NETTLE CREEK SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2019-009**

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment  
Federal Agency: Department of Education  
Federal Program: Special Education Grants to States, Special Education Preschool Grants  
CFDA Numbers: 84.027, 84.173  
Federal Award Numbers and Years (or Other Identifying Numbers): 14217-042-PN01; 18611-042-PN01;  
19611-042-PN01; 18619-042-PN01;  
19619-042-PN01

Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Condition and Context*

An effective internal control system, which would include segregation of duties, was not in place in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation is a member of the New Castle Area Special Services Cooperative (Cooperative). During fiscal year 2018-2019, the Cooperative spent the federal money on behalf of all its members, there was inadequate oversight performed by the School Corporation of the procurement and suspension and debarment practices of the Cooperative.

The Cooperative did not establish proper internal controls over the procurement requirement.

Three contracts were awarded during 2018-2019 that exceeded \$25,000; however, the Cooperative did not have procedures in place in order to verify that the vendors were not suspended or debarred prior to entering into a covered transaction with them.

The lack of controls over the procurement requirement was a systemic issue throughout the audit period. The lack of controls and noncompliance over the suspension and debarment requirement were systemic issues in 2018-2019.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

NETTLE CREEK SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

*Cause*

The School Corporation's management had not developed a system of internal control that segregated key functions that would have ensured compliance with the compliance requirement listed above.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, to ensure compliance with the grant agreement and the compliance requirement listed above.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2017-001**

Fiscal year in which the finding initially occurred: 2015  
Pass-Through Entity, Indiana Department of Education  
Contact Person Responsible for Corrective Action: Drew Cooper  
Contact Phone Number: 765-489-4543

Status of Audit Finding:

A procedure has been implemented to have the SEFA reviewed by the Superintendent before it is submitted on Gateway. The Superintendent signs a paper copy of the Annual Financial Report verifying that he has reviewed the data before it is submitted. This corrective action is still in progress.

**FINDING 2017-002**

Fiscal year in which the finding initially occurred: 2015  
Pass-Through Entity, Indiana Department of Education  
Contact Person Responsible for Corrective Action: Drew Cooper  
Contact Phone Number: 765-489-4543

Status of Audit Finding:

Special Education Director Amy Blake and Director of Finance Megan Bell, of the New Castle Special Education Co-op, have established internal controls to comply with the grant agreement. The Director of Special Ed provides the Director of Finance and Deputy Treasurer semi-annual certifications of employees and contracted employees paid from federal awards to document all employees paid from federal funds. Employees paid from special education grants are confirmed by periodic certifications of payroll histories being sent to the Special Education Director for review to ensure all transactions are allowable costs. This corrective action is complete.

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*Dr. Kyle G. Barrentine*  
*Superintendent*

*Mr. Drew Cooper*  
*Treasurer*

*Mrs. Sarah Buroker*  
*Executive Secretary*

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**FINDING 2017-003**

Fiscal year in which the finding initially occurred: 2017  
Pass-Through Entity, Indiana Department of Education  
Contact Person Responsible for Corrective Action: Drew Cooper  
Contact Phone Number: 765-489-4543

Status of Audit Finding:

Chartwells has provided a Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion – Lower Tier Covered Transactions. This certificate is kept on file at the School Corporation Central Office. This corrective action is still in progress.

**FINDING 2017-004**

Fiscal year in which the finding initially occurred: 2015  
Pass-Through Entity, Indiana Department of Education  
Contact Person Responsible for Corrective Action: Drew Cooper  
Contact Phone Number: 765-4894543

Status of Audit Finding:

A procedure has been implemented to have the Treasurer meet with Chartwells to obtain and verify financial data before entering the Annual Financial Report and Paid Lunch Equity Calculation into the DOE/CNP website.

This information is then printed, reviewed and signed off by the Superintendent before submittal. This corrective action is still in progress.

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**FINDING 2017-005**

Fiscal year in which the finding initially occurred: 2015  
Pass-Through Entity, Indiana Department of Education  
Contact Person Responsible for Corrective Action: Drew Cooper  
Contact Phone Number: 765-489-4543

Status of Audit Finding:

A procedure has been implemented to have Chartwells keep the Free & Reduced Price Applications from parents in a binder at the cafeteria office. Chartwells produces the Verification Summary Reports using these applications.

At the end of the school year the binder is stored in the school central office archives along with the other financial data kept for audit. This corrective action is still in progress.

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## CORRECTIVE ACTION PLAN

### FINDING 2019-001

Contact Person Responsible for Corrective Action: Drew Cooper  
Contact Phone Number: 765-489-4543

Views of Responsible Official:  
We concur with the finding.

Description of Corrective Action Plan:  
The Treasurer and Superintendent will work to develop a more robust internal control for the creation and submission of the bi-annual Form-9 to the Department of Education.

Anticipated Completion Date:  
June 30, 2020

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**FINDING 2019-002**

Contact Person Responsible for Corrective Action: Drew Cooper  
Contact Phone Number: 765-489-4543

Views of Responsible Official:  
We concur with the finding.

Description of Corrective Action Plan:  
The Treasurer and Superintendent will work to develop a more robust internal control for the creation and submission of the annual SEFA on Gateway.

Anticipated Completion Date:  
June 30, 2020

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**FINDING 2019-003**

Contact Person Responsible for Corrective Action: Drew Cooper  
Contact Phone Number: 765-489-4543

Views of Responsible Official:  
We concur with the finding.

Description of Corrective Action Plan:  
The Treasurer and Superintendent will work to develop a more robust internal control for the oversight of the food service vendor in regards to all expenditures made on behalf of the school corporation, including payrolls.

Anticipated Completion Date:  
June 30, 2020

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**FINDING 2019-004**

Contact Person Responsible for Corrective Action: Drew Cooper  
Contact Phone Number: 765-489-4543

Views of Responsible Official:  
We concur with the finding.

Description of Corrective Action Plan:  
The Treasurer and Superintendent will work to develop a more robust internal control for the monitoring of the net cash resources in the School Lunch Fund in regards to verifying the balance does not exceed 3 months average expenditures.

Anticipated Completion Date:  
June 30, 2020

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**FINDING 2019-005**

Contact Person Responsible for Corrective Action: Drew Cooper  
Contact Phone Number: 765-489-4543

Views of Responsible Official:  
We concur with the finding.

Description of Corrective Action Plan:  
The Treasurer and Superintendent will work to develop a control procedure to ensure the accuracy of the eligibility determinations for the school lunch program.

Anticipated Completion Date:  
June 30, 2020

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**FINDING 2019-006**

Contact Person Responsible for Corrective Action: Drew Cooper  
Contact Phone Number: 765-489-4543

Views of Responsible Official:  
We concur with the finding.

Description of Corrective Action Plan:  
The Treasurer and Superintendent will work to develop an internal control system to ensure purchases made from the Child Nutrition grant are in compliance with the applicable procurement method.

Anticipated Completion Date:  
June 30, 2020

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**FINDING 2019-007**

Contact Person Responsible for Corrective Action: Drew Cooper  
Contact Phone Number: 765-489-4543

Views of Responsible Official:  
We concur with the finding.

Description of Corrective Action Plan:  
The Treasurer and Superintendent will work to develop an internal control system to ensure compliance with the Child Nutrition grant agreement in regards to verification of free and reduced price applications.

Anticipated Completion Date:  
June 30, 2020

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765-489-4543  
[www.nettlecreekschools.com](http://www.nettlecreekschools.com)



**FINDING 2019-008**

Contact Person Responsible for Corrective Action: Drew Cooper  
Contact Phone Number: 765-489-4543

Views of Responsible Official:  
We concur with the finding.

Description of Corrective Action Plan:  
The Treasurer and Superintendent will work to develop an internal control system to ensure compliance with the Child Nutrition grant agreement in regards to paid lunch equity calculations.

Anticipated Completion Date:  
June 30, 2020

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*Dr. Kyle G. Barrentine*  
*Superintendent*

*Mr. Drew Cooper*  
*Treasurer*

*Mrs. Sarah Buroker*  
*Executive Secretary*

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**FINDING 2019-009**

Contact Person Responsible for Corrective Action: Drew Cooper  
Contact Phone Number: 765-489-4543

Views of Responsible Official:  
We concur with the finding.

Description of Corrective Action Plan:  
The Treasurer and Superintendent will work with the New Castle Area Special Education Co-Op to develop an internal control system to ensure compliance with the Special Education grant agreement in regards to Procurement and Suspension and Debarment.

Anticipated Completion Date:  
June 30, 2020

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*Dr. Kyle G. Barrentine*  
*Superintendent*

*Mr. Drew Cooper*  
*Treasurer*

*Mrs. Sarah Buroker*  
*Executive Secretary*

## OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.